

BEFORE THE ARIZONA CORPORATION COMMISSION

JEFF HATCH-MILLER  
Chairman  
WILLIAM A. MUNDELL  
Commissioner  
MARC SPITZER  
Commissioner  
MIKE GLEASON  
Commissioner  
KRISTIN K. MAYES  
Commissioner

Arizona Corporation Commission

DOCKETED

MAY 0 5 2005

DOCKETED BY

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MAY 0 9 2005

AZ Corporation Commission  
Director Of Utilities

IN THE MATTER OF THE APPLICATION  
OF PAYSON WATER COMPANY, INC.,  
AN ARIZONA CORPORATION, FOR  
APPROVAL OF A WATER  
AUGMENTATION SURCHARGE TARIFF

DOCKET NO. W-03514A-05-0188

DECISION NO. 67819

ORDER

Open Meeting  
May 3 and 4, 2005  
Phoenix, Arizona

BY THE COMMISSION:

FINDINGS OF FACT

1. Payson Water Company, Inc. ("Company") is certificated to provide water as a public service corporation in the State of Arizona.

2. On March 15, 2005, the Company filed a water augmentation surcharge tariff.

3. The Company's proposed tariff would allow the Company to make monthly adjustments to its rates and charges for water service to recover costs incurred for water augmentation costs, including bulk water purchases and transportation, which could occur if a curtailment plan tariff is approved by the Commission.

4. On March 17, 2005, the Company docketed a letter agreeing to waive the applicable timeclock.

5. The Company is located in the Payson area in Gila County and consists of nine independent water systems; Mead's Ranch, East Verde Estates, Flowing Springs, Geronimo, Mesa

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del Caballo, Star Valley/Quail Valley, Whispering Pines, Star Valley and Deer Creek Systems. These systems serve a total of approximately 4,100 customers.

6. The Company's proposed water augmentation surcharge tariff was developed based on the tariff approved for Pine Water Company, Inc. ("Pine Water") in its most recent rate case order Decision No. 65914 (May 16, 2003). The surcharge will be calculated by:

"Dividing the total water hauling costs incurred in a given month by the amount of water sold that month. The resulting rate per 1,000 gallons will then be multiplied by the gallons used in that month for each customer to arrive at the surcharge per 1,000 gallons. The resulting water augmentation surcharge would then be charged in the next month's billing cycle as a separate line item on the customer's bill."

7. According to the Company, the imposition of this surcharge will have no impact on the rate of return realized by the Company.

8. Staff has reviewed the proposed surcharge tariff and finds that this request can only be considered in the context of a rate case filing. The requested surcharge is not revenue neutral and would increase or decrease the Company's revenues or expenses.

9. Staff recommends denial of the Company's Water Augmentation Surcharge Tariff.

#### CONCLUSIONS OF LAW

1. The Company is an Arizona public service corporation within the meaning of Article XV, Section 2, of the Arizona Constitution.

2. The Commission has jurisdiction over the Company and of the subject matter in this Application.

3. The Commission, having reviewed the request for approval of the tariff and Staff's Memorandum, dated April 19, 2005, and concludes that it is not in the public interest to approve the Water Augmentation Surcharge Tariff.

4. Under Article XV, Section 14 of the Arizona Constitution, the proposed tariff cannot be approved without a fair value finding.

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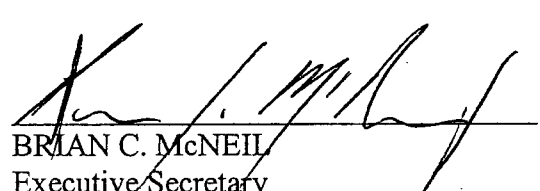
ORDER

IT IS THEREFORE ORDERED that the proposed Water Augmentation Surcharge Tariff for Payson Water Company, Inc. is denied.

IT IS FURTHER ORDERED that this Order shall become effective immediately.

**BY THE ORDER OF THE ARIZONA CORPORATION COMMISSION**  
CHAIRMAN  
COMMISSIONER  
COMMISSIONER  
COMMISSIONER  
COMMISSIONER

IN WITNESS WHEREOF, I BRIAN C. McNEIL, Executive Secretary of the Arizona Corporation Commission, have hereunto, set my hand and caused the official seal of this Commission to be affixed at the Capitol, in the City of Phoenix, this 5<sup>th</sup> day of May, 2005.

  
BRIAN C. McNEIL  
Executive Secretary

DISSENT: \_\_\_\_\_

DISSENT: \_\_\_\_\_

EGJ:MSJ:rdp/TS

1 SERVICE LIST FOR: Payson Water Company, Inc.

2 DOCKET NO. W-03514A-05-0188

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